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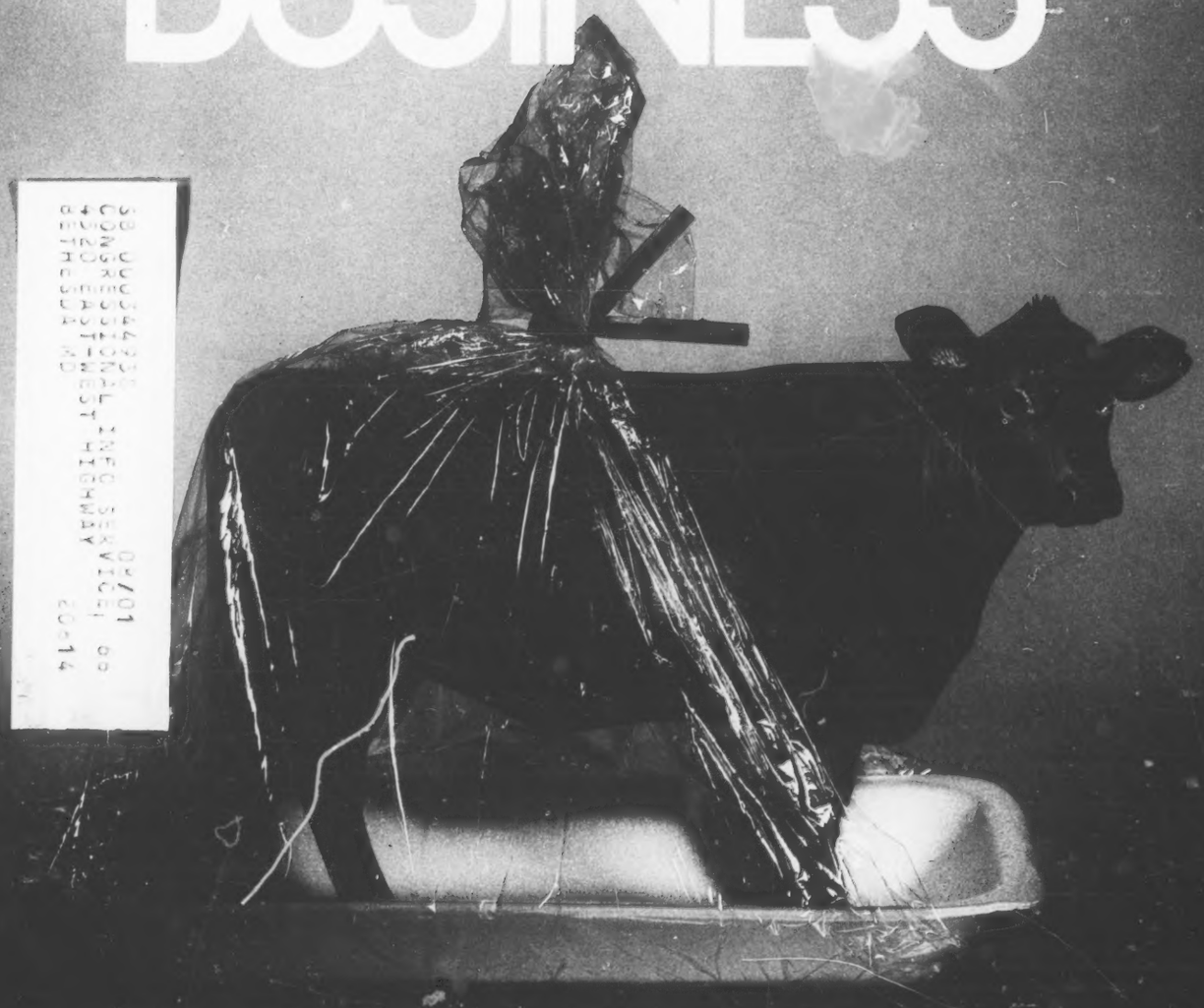

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Cover illustration: Andrea L. Gallo
Cover photography: Peter Brauné.

EDITOR-IN-CHIEF:
Kenneth P. Parich

SENIOR EDITORS:
Daniel Elman
Amy Lipton

ASSISTANT EDITOR:
Lauren Leiseld

CONSULTING ART DIRECTOR:
Ellen Eliseman

ART ASSOCIATE:
Andrea L. Gallo

CONTRIBUTING EDITORS:
Produce: **Barney N. McClure**
Meat: **Ken Johnson**
Food Prep: **Blaine Reader**
Technology: **Richard Shulman**
Store Planning: **David Rogers**
Washington: **John Baskin**

ASSOCIATE PUBLISHER:
Carol Fenshott

CIRCULATION MANAGER:
Barbara Kummer

PRODUCTION DIRECTOR:
Dennis Davidson

RESEARCH DIRECTOR:
David Litwak

ADVERTISING SALES:

EAST:
SOUTHEAST REGIONAL SALES MANAGER:
Peter Beyrent

NORTHEAST REGIONAL SALES MANAGER:
Thomas Dean

SALES DEVELOPMENT MANAGER:
Janet Isenberg

MARKETING MANAGER:
Janet Torres Cepeda

Fieldmark Media
25 W. 43rd Street, Suite 707
New York, N.Y. 10036

CHICAGO:
VICE PRESIDENT, NATIONAL ACCOUNTS:
Dave Wishard

REGIONAL SALES MANAGER:
John Sandevegger

Fieldmark Media
7366 N. Lincoln
Lincolnwood, Ill. 60646
312-673-6737

WEST COAST:
Sue Morrill

Fieldmark Media
16133 Ventura Blvd., Suite 1200
Encino, Calif. 91436
818-783-5888

FIELDMARK MEDIA
25 W. 43rd Street, Suite 707
New York, N.Y. 10036
212-354-5169

PRESIDENT AND PUBLISHER:
Jeffrey A. Schaeffer

VICE PRESIDENT, ADMINISTRATION:
Catherine Cahill

VICE PRESIDENT:
Carol Fenshott

CORPORATE OFFICERS
SOSLAND PUBLISHING COMPANY
CHAIRMAN:
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Andrea L. Gallo

COVER PHOTOGRAPHY:
Peter Braund

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VBPA ABP

By Ken Parich,
Editor-in-Chief

Does America *Need* Hypermarkets?

Let's talk about hypermarkets, since that's what all the talk seems to be about. I am amazed at how so many otherwise knowledgeable supermarket operators and observers talk about the hypermarket as if it is some brand new retailing phenomenon never before seen. Almost nobody says: "What is this thing, why is it different, and why should I care?"

Let us repeat. The hypermarket occurred in France, in the early '70s, and later in other parts of Europe for two reasons, neither of which apply to the U.S.—either then or now. The first is that the conventional 15,000 to 20,000 sq. ft. supermarket, with lots of parking, did not exist in France, or in most other parts of Europe—even Germany and Great Britain. The second, K mart, Caldor's, Target, Shopko, Woolco, Fedmart, Gemco—and all the other extant and extinct general merchandise discounters also did not exist.

The hypermarket was a means of leap frogging both developments into one enormous combination general merchandise discount store and supermarket, all under one roof, with central checkouts, and with 150,- to 200-, and 250,000 sq. ft. And the sales volumes they produced of $40- to $50 million annually in 1970, were truly phenomenal. They were so phenomenally successful that small retailers soon forced legislation that restricted their number—in one way or another. Europeans are not so patriotic as Americans about free enterprise.

I have written about this retailing truism many times and spoken it from many industry platforms. I have never been challenged on it, and once even predicted the failure of two early hypermarkets launched in Canada.

In the U.S., there is no discernible shortage of either general merchandise discounters or supermarkets of every stripe and variety, except in the most rural and undeveloped areas of the country. In fact, in New England, many of the store sites used by the second generation of super warehouse stores and super stores became available at the courtesy of failed discounters. Edwards Food Warehouse stores are in former Woolcos, for example, and Ralphs 24-HR stores with Target are in former Fedmarts.

Remember Fedmart? Everyone told me, in the early '70s, that I had to go to San Diego to see Fedmart, so I went. Here were stacks of general merchandise on steel warehouse shelves—not unlike Walmart—with a full line of groceries and food. At the time, I said it probably wouldn't work. I got a call from Hugo Mann himself, who wanted me to come to Germany and see for myself how it did indeed work. I respectfully declined, telling Hugo that the point was that it wouldn't work in San Diego. Eventually, of course, it didn't.

"Anybody can build a Cub, but not everybody has a distribution system to back it up."

The idea does seem intriguing—to put together groceries with its high traffic and general merchandise with its much higher gross margins. It seems like an idea made in heaven. And if you happen to have a string of stores in western Canada, where there are few discounters and few good, big supermarkets, then the idea works beautifully, as Loblaw discovered. But when Loblaw brought its super store East, with its tons of general merchandise, the idea lost some of its luster, for several reasons.

Byron Allumbaugh, chairman of Ralphs, once made two good observations about store locations and store formats. I have written them both before, but I never hear these ideas mentioned either. When Ralphs became part of Federated Stores, many observers thought that Ralphs would somehow share locations with Federated's Gold Circle discount stores.

Byron observed: "We select supermarket sites on their own merit. These sites sometimes coincide with Gold Circle sites, but each is selected for its own reasons. There isn't necessarily any rub-off from the two." Nevertheless, it does seem that a supermarket will do better in a strip center location with a discount store than a free-standing supermarket by itself. But that may be simply a matter of proximity, convenience, awareness and familiarity. The second observation that Byron once made was: "Anybody can build a Cub, but not everybody has a distribution system to back it up." Funny, we never hear that mentioned either. But have you seen Super Valu build any Cubs where it doesn't already have a distribution center?

Few knowledgeable supermarket operators, today, would put a supermarket into a regional shopping center. The reason is similar to the reason that most hypermarkets don't work in the U.S.—shopping for general merchandise and groceries are usually (not always) performed on different shopping trips. Even in Europe, according to Don Watt, of Don Watt Associates, Toronto, who has designed many successful super warehouse stores and hypermarkets in Europe, "Shoppers shop once a week for groceries, and once a month for general merchandise in the same hypermarket."

Unless the shopper shops for general merchandise first, which would be most unlikely, the shopper would have a cart full of refrigerated and frozen products getting warm while he or she selected a pair of slacks (and tried them on), or discussed the merits and price of a refrigerator or clothes dryer—also not likely.

Of course, if you are on the outskirts of Calgary, or Poplar

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RED MEAT

CAN WE PACKAGE ITS PROBLEMS AT THE SOURCE?

The 1980s were not kind to the red meat industry. But the 1990s are shaping up much more favorably—at least for those willing to adapt to the realities of the '90s.

Ask a cattle producer about the long, hot, dry summer of '88. About the nation's scorched and barren grazing land. About the watering holes, small and muddy. About the fields where grain for feed should be ready for harvest, but isn't, and won't be. Ask and you'll get the familiar shrug of a man conditioned by a decade of adversity. A decade when red meat products were maligned as unhealthy. A decade when per capita chicken consumption outstripped beef. A decade when low cattle prices meant many producers made very little for their efforts, if anything.

The 1980s were not kind to the red meat industry. But they are almost over, and the 1990s seem to be shaping up much more favorably. While red meat sales are not expected to skyrocket in the 1990s, researchers are predicting modest sales gains, producers are saying they will have better and more convenient products and industry analysts are busy calculating how savvy retailers can make their meat operations more profitable. The outlook is good for both producers and retailers, at least for those willing to adapt to the realities of the '90s.

The fact of the matter is that retail meat has changed rapidly in the past few years. Because of health concerns, the amount of separable fat in retail cuts is down 27 percent and the fat content of ground beef is down 10 percent from just two years ago, according to a study by the Beef Promotion and Retail Board (Englewood, Colo.). And according to Prof. John W. Allen, a meat industry observer at Michigan State, retailers that have trimmed away visible fat have seen significant sales gains. The key for the future, says Allen, is for meat producers and retailers to continue listening to consumers, and adapting the product to meet their demands.

Here as elsewhere, baby boomers will have a lot to say about what succeeds and fails, for baby boomers will supply much of the expected rise in red meat consumption. As this generation born between 1946 and 1964 enters middle age, beef expenditures should rise 15 percent in the 1990s, says "Demographic Trends and the Meat Industry," a report prepared for the American Meat Institute. Among householders aged 35 to 54, beef expenditures should climb 28 percent.

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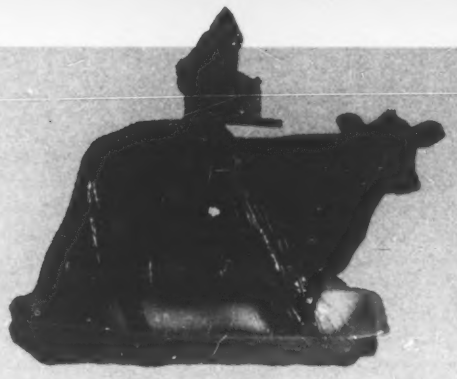


Most industry observers expect case-ready to command an increasingly important portion of the meat case, at least once the major packers develop case-ready products.

So what do boomers want? Quality, convenience and nutritional value, say retailers.

But the demographic outlook is not so easy to map out. The problem is there are so many demographic segments to deal with. In fact, the niches abound and as Tom Flaherty, coordinator of retail programs for the Beef Industry Council (Chicago) says, "Everybody's going for the niches."

Take Hispanics, for example. There are approximately 20 million Hispanic consumers in the United States today. There could be 40 million by 2010.

A study on Hispanic consumers prepared for a group of beef industry groups by Market Development Inc. (San Diego, Calif.) found that contrary to the norm, in most markets Hispanics are more likely to purchase beef than poultry. Consumption of beef is high and tending upwards in most markets and age groups. Heavy beef users represent the largest user segment. As a group, Hispanics are not particularly concerned with "health" attributes when it comes to purchasing meat.

As any good retailer in a Hispanic market can tell you, Hispanic consumers buy different cuts and prepare them differently from other ethnic groups. Gary Bales, the corporate director of meat operations for Pueblo International (Pompano Beach, Fla.), which owns the Xtra stores in south Florida, has also worked for chains that served Anglos primarily: "I was at King Soopers in Denver. People there place a big value on time, so convenience products were important. For our Hispanic customers in south Florida, price is definitely the button to push. Quality too.

"There's a different mix of products in our Xtra stores that cater to Hispanics. At King Soopers, we had self-service meat counters and service counters with upscale microwavable gourmet items. Here at Xtra, it's a fresh meat operation rather than a prepared-food operation. The service is in providing cuts Hispanic consumers want and in cutting meat to customer specifications."

Hispanics are just one of many niches. Ethnic background, income level, regional preferences all come into play in marketing meat. Retailers are getting better at figuring out how to characterize the consumers who shop different stores (see "Localized Marketing: Getting Away From the Broad-Brush Approach," SUPERMARKET BUSINESS, July 1988), but producers and retailers can still be surprised by who buys what.

"We thought the target group for Coleman Natural Beef would be yuppies," says Craig Caldwell, sales manager for the beef producer, which raises beef without antibiotics or growth stimulants. "Then we go into areas across the country and find it's not just them. Frankly, we still haven't figured out who buys it and why they buy it. They're health conscious people. They're concerned about fat and cholesterol, but we've done well in poor areas, in Hispanic areas, in areas where there are not a lot of what what marketers would define as yuppies."

There are many untapped niches and a lot that producers and retailers need to do to capture meat purchases. And there's still fierce competition from poultry producers. A new study, "Meat Demand: Industry Trends and Future Prospects to 1995," prepared for The American Meat Institute projects per capita beef and veal consumption will rise 0.77 percent between 1990 and 1995. Pork consumption in the same period will rise 0.83 percent.

By contrast, chicken consumption is projected to rise 1.42 percent and turkey consumption 1.37 percent. The study suggests that to become more competitive with poultry, red meat production costs must be reduced relative to poultry.

That may prove difficult, in part because the long term trend is toward higher prices, at least for beef. Jens Knutson, an economist with the American Meat Institute (Arlington, Va.) says, "Production is down and prices are up. We're going to see price increases over the next two to three years that are supply related. And the recent increases in commodity prices [for grain as a result of the drought] mean more pressure on beef prices."

Will higher prices dampen sales? Producers hope not, but to make sure they don't, they're planning larger and more aggressive efforts to promote red meat.

Industry initiatives

Fortunately, for the producers, the money to promote is at hand. The industry approved a checkoff program in May that will generate a huge pool of money for research and promotion—up to $70 million a year for the foreseeable future. "Beef producers understand they have a role to play in the marketing of their product," says John Francis, vice president of marketing for the Beef Industry Council, one of the groups that will be developing promotional campaigns for beef. "Our first goal is to make sure producers make money at this, then we can start working on increasing consumption. We'll do this through consumer advertising, food-service promotions and retail promotions."

The first signs of that expanded promotion effort will appear this month. The beef industry is a major sponsor of the NBC Summer Olympic telecasts; an instore promotion campaign tied to the Olympics is already in place.

The Meat NutriFacts program, also funded by checkoffs, is being expanded and is generally meeting with approval from retailers. In fact, there is general agreement among retailers that the industry's promotional efforts thus far—the "Real Food for Real People" television campaign, the Meat Features and NutriFacts programs—have been successful. Says Gary Bales of Pueblo, "Customers are going back to beef because of these promotions."

The industry's new P-O-P promotion,

To encourage promotion of beef beyond the fall period, the Beef Board and the Beef Industry Council have teamed up to sponsor a supermarket sales contest.

TABLE 3.10—THE COMPLETE BOTTOM LINE FOR INDUSTRY GROWTH 1990-1995

Potential (annual % change in consumption)

	BEEF & VEAL	PORK	OTHER RED MEAT	CHICKEN	TURKEY
Per Capita	.77	.83	−.07	1.42	1.37
Total	1.67	1.73	.83	2.32	2.27

scheduled to break this fall, "Enjoy Beef," will promote cuts that can be cooked in under 20 minutes and that contain fewer than 200 calories. A consumer game with cash prizes accompanies the promotion. Other promotions will follow, in part, because the industry is confident that promotion works.

A recent Beef Industry Council survey in Grand Junction, Colo., found that consumers who shopped in stores featuring point-of-purchase materials promoting beef purchased about 4.0 percent more beef than consumers in similar stores without the point-of-purchase materials.

Improving the meat department

The checkoff system is also being used to fund work designed to get at the basic economics of the retail meat department.

According to Michigan State's John Allen, "The industry is within reach of a good DPP model for meat. Retailers will probably be surprised at the extent of the shrink and the real cost of labor within the meat department. What we have now is essentially a small meat factory processing boxed beef into retail packages in the back of every supermarket. These factories are on some very expensive real estate and the presentation is maybe good, maybe not so good. The trend has got to be away from this."

Once work on the DPP model is complete, says Allen, "retailers will probably be surprised at the extent of the shrink in their departments and surprised at the real cost of labor. Retailers may end up rethinking how they ought to sell meat."

Allen and others in the industry say the growing importance of promotional campaigns and the emerging understanding of what it costs to retail meat may accelerate the industry's move away from boxed beef toward branded products and case-ready products.

But Herb Meischen, vice president of marketing for Excel, a producer of premium-quality branded beef, warns, "Marketing hype alone will not produce consumer response. The product must have something unique to offer."

Prospects for branded

Producers of branded beef are generally upbeat about their sales and optimistic about their future, even while recognizing that their share of retail sales is small and will continue to be that way.

"Ours is a niche market product," says Gary Larsen, president of Larsen Beef (Harlan, Iowa), a producer of a premium priced "natural" beef. "We've been in enough retail counters to show that we create incremental sales for the meat counter—we can bring in 5 to 10 percent more sales in dollars."

In the past year, Larsen has tripled the number of cattle slaughtered from 100 per week to 300 and expects to double that number within a year. Larsen plans to roll out the product into 200 to 300 stores this year in Atlanta, Cincinnati, Richmond, Va., and Seattle.

Craig Caldwell of Coleman Natural Beef (Denver) reports sales are up five to 10 percent this year to $20 million and sees similar growth for the coming year. Over the past 12 months, Coleman beef has found its way into meat cases at Purity Supreme in Boston, A&P stores in New York, New Jersey and Connecticut, into stores in Atlanta and Salt Lake City, and anticipates adding five large metropolitan areas in the coming year.

Excel branded products, introduced in 1986, are currently marketed in the Southeast, in Ohio, and in Air Force commissaries. Introductions in two new markets are planned for later this year.

Partly behind the shift to branded products is the ability of the branded producers to deliver a low-fat product outside the USDA grading system. The current system, which grades animals for yield and quality, tends to reward producers of high fat animals with the better grades, and thus, better prices for their animals.

Chuck Jolley, a spokesman for Cryovac, which manufactures packaging materials for meat, says "People want more taste fat and less weight fat. Uncoupling [the two grading systems] is the way. There is probably a strong market for [lower fat] select beef, but the packers are generally selling choice because it is more profitable for them."

The USDA took the first step toward uncoupling the systems in February, when it published a proposal in the Federal Register to uncouple yield and quality grading for beef. The proposal was sponsored by the American Meat Institute and the National Cattlemen's Association. If the two grading systems were uncoupled and packers could choose one or the other grading system, "we will get to a system where we pay for meat, not for the fat. That's what we're on the verge of right now, and that's very good," says Prof. Allen of Michigan State.

Though branded products are gaining, they are doing so slowly. The reason, says Jolley of Cryovac, is that "meat is one of the last places where supermarkets are willing to surrender their identity. Many see and have seen their meat departments, especially their beef products, as the place where they can create an identity for the stores with their own packaging, service and presentation. I think a lot of them are going to be reluctant to stock branded and case-ready products for that reason."

Problems in pricing

Case-ready, which is how most of the branded products come, represents a whole new way of retailing meat, one that producers say requires retailers to change some very fundamental habits. Habits like pricing.

Says Meischen of Excel, "When retail management sets 20 to 25 percent gross margins on our meat products like their own, they price Excel right out of the market. Store management has to understand that Excel is assuming much of the cost of processing, packaging and promotion. It doesn't cost the retailer as much to sell our product so they can't expect to get the same margin on it."

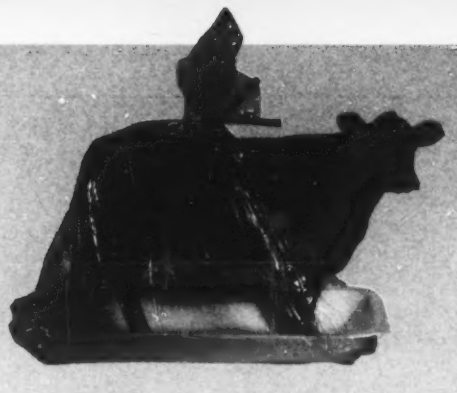
Meischen says Excel products, priced correctly, can offer more profit contribution than the store product, and help upgrade the image of the store: "This meat gives the store a quality image and can solve much of the out-of-stock problem at the retailer's end. With case-ready product, anyone can stock the meat case. You don't need a trained meat cutter on duty or available when stocks get low."

It's not news to retailers that good meat personnel are hard to find. But here again, demographics are working against the status quo. There will simply be fewer workers entering the work force over the next decade and the number of workers entering trades like meat cutting is expected to shrink.

"The trend toward case-ready is happening because retailers are saying they want a product they can put in a case that's already trimmed, boned and packaged," says Jim Hodges, vice president of fresh meat at the American Meat Institute. "There's consistency of product and control of quality in case-ready products that just can't be achieved with boxed beef."

Some retailers are beginning to feel that it is just a matter of time when super-

In red meat, as in other areas of retailing, baby boomers will have a lot to say about what succeeds in the 1990s.



The rumor within the industry is that the packagers are getting closer to a significantly better packaging process for case-ready meat.

markets will be out of the business of backroom meat cutting. "The people just aren't available," says Tom Infusino, chairman of Wakefern (ShopRite), Elizabeth, N.J., "even at the good pay that meat cutting offers. Apprentices are not available for the two-year training period that is required. This in itself will force supermarkets to move away from backroom fresh meat cutting and packaging. It must move backward toward the source, toward the cattle growing and packing areas. There are indications that the technology is getting close to be able to produce a package of case-ready beef that has the bloom that will appeal to consumers.

"Sales of fresh beef have pretty much stabilized over the past few years," says Infusino. The 'no fat' program helped, and the service meat program where we sell only prime beef also helped."

It was much the same with poultry. Wakefern no longer buys iced chicken. All the chicken they sell is processed before it is bought and requires no skilled labor in the stores, just someone to stock the cases.

Case-ready red meat has other advantages as well; the concept appeals to important groups of consumers and some early research suggests that case-ready products may boost meat department profitability.

The case for case-ready

Kroger, for example, has stocked case-ready meat for two years. According to Gary Walters, director of meat/seafood merchandising, "We're seeing strong brand loyalty to case-ready meat products. Consumers like the packaging, like the taste. We're seeing 70 percent repeat purchase—but that initial trial is very hard to get."

The negatives, according to Walters, are immediately apparent to consumers: case-ready products are perceived as more expensive, not fresh and the wrong color.

Says Jolley of Cryovac, "The biggest question is whether consumers can accept the color of case ready meat. If you wrap the meat quickly after it is cut, it turns up purple in the meat case—it's not very appetizing. Some producers say they can sell people purple meat. Our studies say that's going to be difficult."

It's a problem that producers acknowledge. Says Larsen of Larsen Beef, "We haven't solved the color problem or the purging problem [the tendency for blood to run out of the meat and collect in the package]."

The rumor within the industry is that the packagers are getting closer to a packaging process for case-ready products that will present meat with a natural looking bloom. IBP, the Dakota City, Neb.-based giant, the nation's largest processor, confirmed that it is doing research in the area, but would not confirm that they have plans to introduce a case-ready product.

Even so, producers like Larsen and Meischen point out that some segments of consumers can be sold on the convenience of case-ready, especially on the fact that it keeps much longer than store-cut beef in the refrigerator: "Convenience is very important to our consumers," says Meischen. "They're health conscious and have a medium to high income. They're pressed for time and they want a product they can keep in the refrigerator and prepare quickly."

Some research done for the American Meat Institute may sell some retailers on case-ready as well. The study, conducted by Willard Bishop, an industry consultant, found that case-ready products can increase margins in retail meat counters by close to 50 percent. In the test, stores in two chains in two cities stocked case-ready and store-cut meats. Each store's meat department showed a 42.8 percent increase in weekly operating income with the two products for sale. The source of much of that income was savings from decreased labor costs.

Eliminating labor from the picture may be desirable from a profit standpoint, but does pose some perils as well. Caldwell of Coleman Natural Beef, which does not produce case-ready products, says, "There's the potential for union members to sabotage case-ready products. We've heard of it happening, though we haven't seen it ourselves."

Most industry observers expect case-ready to command an increasingly important portion of the meat case, at least once the major packers develop case-ready products. Says Allen of Michigan State, "For this category [case-ready] to really take hold, it needs more than a couple of small players involved. It needs the major packers like IBP. And IBP says now that the packaging is just not ready. Monfort has said that they don't expect much to happen in the next couple of years. But it's pretty obvious that that's where things are going."

Pre-cooked a minor presence

There has been some cautious experimentation with pre-cooked products in the retail meat case, but consumer acceptance seems thin, according to retailers.

"I've heard different things about retailers' experience with pre-cooked products," says Flaherty of the Beef Council. "With the right consumers and the right marketing it can work, but it's tricky. For example, Kroger seems to do well with it in some stores and not so well in others. I'm not sure why. I don't know if they know exactly why it does better in some places than in others."

Frank Lusk, manager of fresh meat procurement at Safeway, says, "We've looked at pre-cooked meat products and have seen some successes with them, but frankly, we haven't had any major successes with them."

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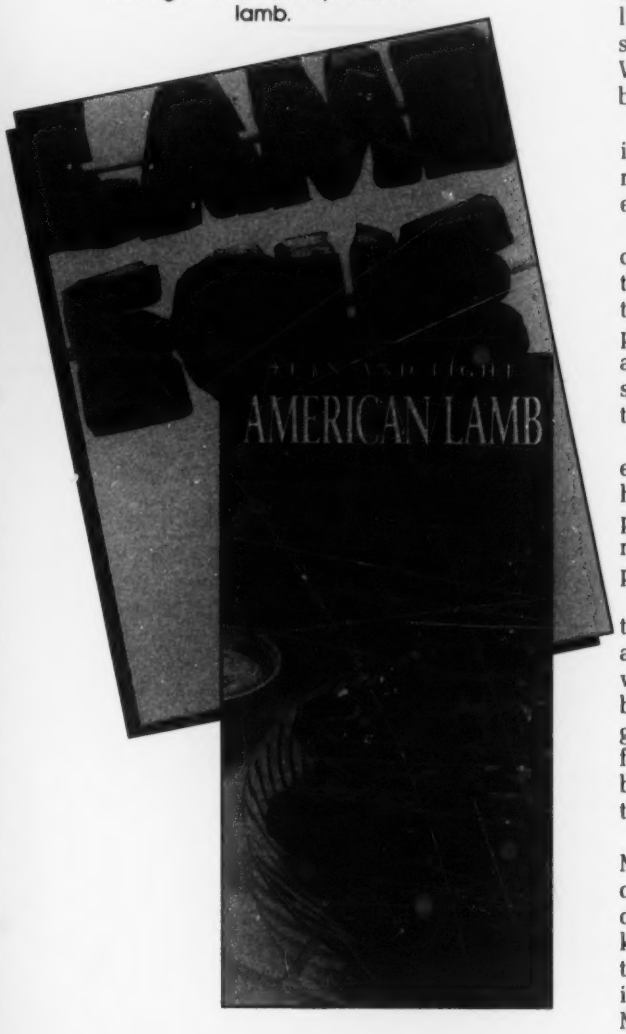
Not to be outdone by the beef people, the American Lamb Council is promoting "Lambecue" season. Recipe flyers are also available, promoting the "lean and light" nutritional qualities of lamb.



SAMI UPDATE

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 3/25/88	4 WEEKS ENDING 4/22/88	4 WEEKS ENDING 5/20/88
BABY NEEDS			
Baby Powders	−10.1	− 4.1	−10.9
Baby Oils, Creams & Lotions	+ 8.1	+12.7	+ 5.5
Infant Clothes	−18.7	−17.8	−13.2
Nursing Supplies	+ 2.2	+ 4.1	− 0.9
DEODORANTS			
Sprays	+ 2.2	− 6.0	− 7.7
Roll-Ons	+ 4.0	+ 4.2	− 3.0
Stick Deodorants & Pads	+ 8.3	+ 5.0	+ 4.1
Creams	− 8.5	− 7.0	− 8.7
Deodorants & Talcum Powders	+13.4	+28.2	+27.3
Feminine Hygiene Deodorants	+22.8	+44.0	+49.4
Foot Deodorants & Athlete's Foot Remedies	+ 8.4	+24.6	+ 5.3
Feminine Douches	+11.0	+10.6	+ 9.4
FIRST AID			
Antiseptics	+12.5	+ 9.3	+ 4.9
First Aid Products	− 1.9	+ 2.4	− 2.6
HAIR CARE NEEDS			
Shampoos	− 6.4	+ 1.5	+ 1.0
Hair Sprays	+11.6	+18.4	+20.5
Hair Conditioning Rinses	+ 1.9	+11.2	+ 5.6
Hair Setting Needs	+ 2.3	+ 7.8	+ 2.0
Home Permanent Kits	−12.8	−16.5	−13.4
Hair Coloring	− 1.1	+ 3.9	+ 3.4
Hair Dressing Needs	− 7.3	− 9.9	−14.6
ORAL HYGIENE			
Toothpastes & Powders	− 1.9	+ 3.1	+ 7.9
Mouthwashes	−12.9	+ 8.3	+20.2
Breath Fresheners	− 7.4	− 6.3	+ 1.0
Denture Cleaners	+ 0.6	− 2.0	− 8.0
Denture Adhesives	+ 3.1	+ 4.6	− 2.7
Toothbrushes	+ 6.4	+ 0.8	+ 3.1
Dental Aids	+12.9	+ 6.8	+13.6
PROPRIETARY REMEDIES			
Antacids	+ 1.7	+ 5.8	+ 9.0
Internal Analgesics	+ 8.1	+ 7.2	+ 3.5
External Analgesics	+ 3.3	+ 8.8	+ 2.3
Cold Remedies	+ 3.4	+ 6.4	+10.9
Nasal Sprays—Drops—Inhalers	− 5.7	− 5.4	− 2.1
Chest Rubs	− 2.7	− 3.5	+12.5
Cough Remedies	+ 1.8	− 2.0	+13.0
Laxatives	+ 7.9	+12.8	+ 8.9
Sleeping Aids	+14.3	+ 5.7	+ 5.3
Tranquilizers	+ 6.5	+ 3.3	− 4.1
Synthetic Vitamins	+ 9.4	+11.8	+11.2
Eye Care Products	+12.4	+16.4	+ 9.6
Appetite Suppressants	+12.8	+28.6	+29.6
SHAVING NEEDS			
Shaving Creams	+ 1.8	− 0.5	− 9.2
Pre-Shave Lotions	− 1.8	+ 2.4	− 5.3
After-Shave Lotions	− 0.7	+ 0.1	− 0.5
Razor Blades	− 4.4	+ 4.0	− 1.4
Razors & Blades	− 4.0	+ 2.3	+12.6
SKIN CARE AIDS			
Hand & Body Creams & Lotions	+ 4.0	+ 3.2	− 0.4
Facial Preparations	+10.2	+ 9.9	+ 8.9
Lip Care Products	− 1.6	+15.1	+12.4
Suntan Lotions & Oils	+22.7	+12.0	−25.1
Cosmetic & Medicated Skin Aids	+ 4.7	+ 7.2	+ 6.0
TOTAL ALL CATEGORIES			

HBA Gain in May Again Outpaces Trends in Other Product Departments

Strong performance in high volume categories contribute to 4.6% increase for 4-week period

BY ALAN MILLER JR.

Following in the footsteps of an excellent record during April, May was also a banner month for health and beauty aids, particularly proprietary remedies, hair sprays and oral hygiene items. The unit volume increase exceeded the other SAMI product departments in both dollars and units as was true in the preceding period. Frozen foods, with a tonnage increase of 2.9% came closest to matching the strong uptrend enjoyed in the HBA departments. Frozen foods had a gain rate of 6.9% in dollars just under the level achieved by health and beauty aids. For the reporting period ending May 20, 1988, there were tonnage losses both for dry grocery: foods (-0.2%) and dry grocery: non-food (-1.9%). Refrigerated foods gained 0.5% in pints or pounds and 2.5% in dollars.

In this April reporting period, HBA item movement in food stores was far more impressive than sales in drug stores for these same product categories where a slight decline was being recorded. In May, however, the drug store increase amounted to 7.7% while dollars were advancing 12.3%. On both bases the drug store trending was superior to their most recent 28-day gain rates in food stores.

Another difference between periods, in the HBA food store trending is that during the preceding period, these were tonnage gains in all of the eight product groups tracked by SAMI and, at the category level of measurement, the gains exceeded the losses on a 40 to 12 ratio. In the May period under scrutiny there were only five product groups with gains and 32 categories with pluses. However, since several of the strong categories were high volume universes, the decline in the growth rate from the proceeding month was modest. For all 52 product combined, the 4-week increase in April amounted to 13.7 million units, while in May the 28 day gain amounted to 11.8 million units.

During the March - May span there were few outstanding new products to trigger category volume expansion. Some of the new offerings included Lady Gillette razor sets, Aloe Butter facial preparation, Prevention Toothbrushes and Ultra Star Shampoo and Hair Conditioner from Johnson & Johnson and Shock Waves Hair Dressing introduced by Wella AG Corp.

No comparison possible

SAMI is now tracking sales of contraceptives, personal lubricants and home testing kits in both food and drug stores, but volume in these new categories is not included in the department total because of the absence of volume in the corresponding year ago period.

As contrasted with a gain of 4.8% for baby needs as a product group in the preceding period, sales trended downward 0.6% in May due to losses of 10.9% for baby powders, 13.2% for infant clothes and 0.9% in the nursing supply category. The only category with a gain was baby oils, cream and lotions and in this instance the gain rate fell from 12.7% in April to 5.5% in May.

All but one of the deodorant categories measured by SAMI fared better, trend-wise in April than in May. Feminine hygiene volume was 49.4% higher in the current period vs. a gain of 44.0% in the prior period. spray deodorants continue to lag and the most recent 7.7% loss compares with a loss rate of 3.85 for the full year, or 4.0% on a 12-week basis. Roll-on deodorants went from a gain of 4.2% in April to a 3.0% decline for May. Stick deodorants/anti-perspirants continue to be the growth sector in personal deo-

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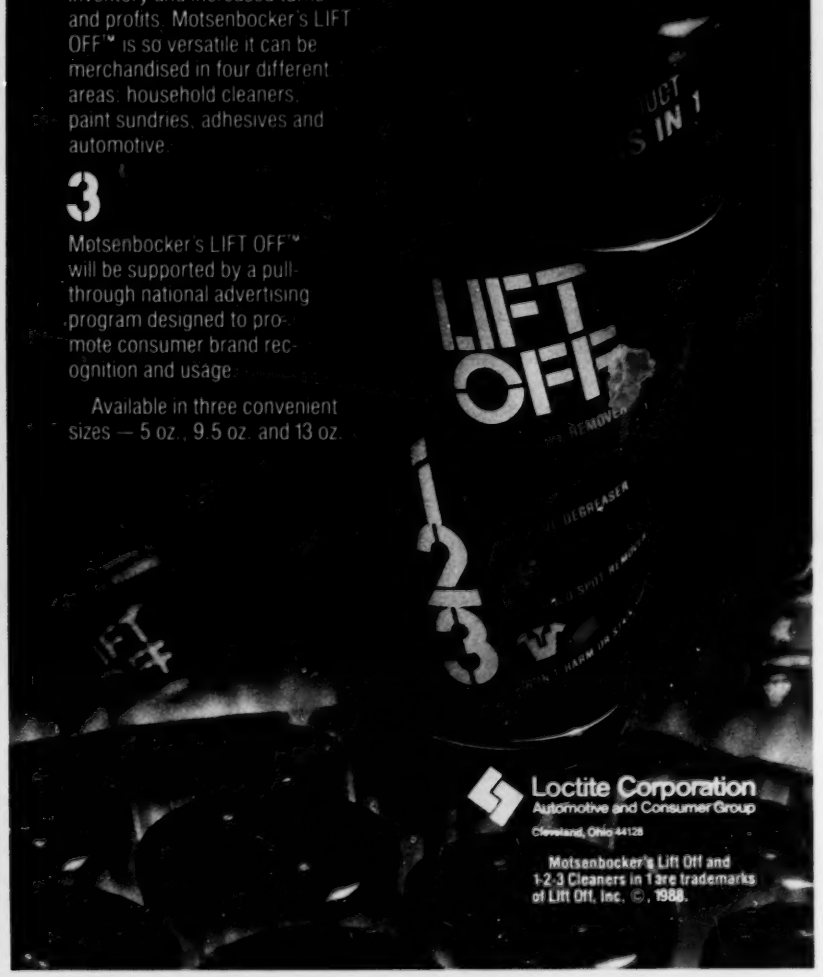

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SAMI UPDATE

dorants and their growth caused losses in the other forms, including -8.7% for creams. However, deodorant and talcum powder volume spurted 27.3% almost matching the 28.2% jump in April. The gain rates for food deodorants and athletes foot remedies as well as feminine douches/washes were slower in May than had been seen in the preceding period.

In the first aid product group, the plus volume prevailed for antiseptics, although the current 4.9% gain rate was under the 6.2% 52-week posting or the 8.5% performance for 12-weeks. However, in the first aid products category a loss of 2.6% contrasts with a gain of nearly the same proportion in April. The two categories combined produced a loss of 0.7%.

Sales of hair care needs, as a product group were 4.6% ahead of the corresponding year ago pace in spite of losses of 14.6% for hair dressing needs, 13.4% for home permanents kits and 1.0% for shampoo. A continuing upsurge particularly in hair spray volume (+20.5%) and 5.6% for hair conditioning rinses served to offset the volume losses in the three categories mentioned. The most recent 13.4% decline for hair permanent kits represents only a modest improvement in the trend in the preceding month (-16.5%). The loss rate among hair dressing needs has worsened from 9.9% in April to -14.6% in May.

On balance, a 'plus'

Five out of the seven categories of oral hygiene were in plus territory and the two with loss rates were denture cleaners (-8.0%) and denture adhesives (-2.7%). Mouth wash volume soared 20.2% a major improvement over the 8.3% gain recorded in April and an even more impressive showing against the 12-week gain of just 3.3%. Also showing good sales momentum was the high volume toothpaste and powder category where the 4-week gain rate amounting to 7.9% is four times the 52-week increase of 1.9%. Breath fresheners, a low volume category, had a 1% gain in comparison with a loss of 6.3% in the preceding period. Toothbrush volume moved ahead 3.1% while dental aids enjoyed a double digit gain rate of 13.6%, fairly similar to the 52-week trend of 10.7% and the 12-week performance +10.3%

Almost half of the 4-week gain for all 52 HBA categories combined was registered in the proprietary remedies product group. In these 14 categories the 4-week unit volume increase amounted to 5.8 million and for the product group as a whole this gain rate was 7.8%, significantly higher then the 6.2% increase in April. There were six categories exhibiting double digit gains: appetite suppressants (+29.6%), cough remedies (+13.0%), chest rubs (+12.5%), synthetic vitamins (+11.2%), natural vitamins, minerals, supplements (+11.0%) and cold remedies (+10.9%).

Slight nosedive

The only category associated with cough and colds with a loss was nasal spray-drop-inhaler, but even this loss of 2.1% represented a better showing than the preceding period drop of 5.4%. Antacid volume rose 9.0%, far in excess of the 5.4% gain on a 12-week basis or the 3.6% increase for the full 52 weeks. The gain in the high volume internal analgesics category (3.5%) was a fall back from the 6.4% plus for the 12-week span. Both laxatives and stool softeners and sleeping aids showed increases but at a lower rate than for the 12-week period. Eye care products (+9.6%) fell below the double-digit gain rate usually found in this expanding category. May was a strong month for vitamins and supplements and both synthetic and natural categories were ahead 11% and each shows identical 12-week improvement amounting to 9.5% over the same 12-week year ago period.

There was only one category of shaving needs with a gain - razors and blades - and the appearance of the aforementioned Lady Gillette razor sets contributed to this improvement. In the preceding period only shaving creams was in the loss column and in May the loss rate accelerated to a 9.2% level. There was not much change in the trends of after shave lotions during the two 4-week periods. A gain of 0.1% in April became a loss of 0.5% in May. Razor blades - the high volume category in this product group - moved from a 4.0% plus to a 1.4% minus from on 4-week period to the other. ■

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Lusk is more sanguine about the prospects of pre-cooked poultry products. Roasted turkey breasts have "done okay" in Safeway stores as have a couple of other pre-cooked poultry products.

Slim interest in light pork

Over the past decade, pork producers have faced many of the same challenges that beef producers have: the perception that the product is unhealthy, the absence of new products and the shift in consumer preference toward lighter meats. The industry has responded in many of the same ways that the beef industry has, but not always with the same results.

Pork producers have had considerable success in reducing the amount of fat in their products. In fact, a National Academy of Sciences report released this year found that there had been a "remarkable reduction of backfat and increase in lean tissue" in market hogs during the last 15 years. Leanness of retail pork cuts also improved "markedly" over that period.

The pork producers have tried to reposition pork in the consumer's mind with an advertising campaign labeling pork "The Other White Meat," but the experience of Wilson Foods (Oklahoma City, Okla.) suggests that consumers may not be ready to perceive pork as a low-fat/low-calorie product.

Wilson introduced its Tender Cuts, a premium case-ready pork product, in 1987. Wilson injects a solution into Tender Cuts to keep the product tender even if consumers overcook it, something consumers often do with pork. The initial campaign for Tender Cuts promoted it as a lower fat product, but "once we really got into the program, we found that consumers were interested in the fact that it cooks up tender every time," says Ron Marsh, director of retail products for Wilson.

Hormel, another large pork producer, is taking much the same tact. It is concentrating on case-ready premium products, and convenience products such as a new bacon product that comes in specially developed microwavable packaging.

Similar trends in lamb

Trends in lamb product resemble the trends in beef and pork production in several respects. After several years of declining consumption, lamb sales have been climbing at about eight percent a year for the past two years.

As with beef and pork, there's interest in developing case-ready products and that interest is stronger perhaps than it is among beef and pork producers. The reason, says Mark Dunn, a marketing director for the American Sheep Producers Council (Denver), is that lamb tends to be a low-priority item for the meat manager, and thus the last meat cut for meat counters, the last meat turned, and the most frequent out of stock.

Interestingly, The Monfort Co. (Greeley, Colo.), one of the largest beef processors, which as yet has not introduced a case-ready beef product, is currently market testing a case-ready lamb line in A&P stores in the Northeast. The company, the nation's largest lamb producer, is selling the branded lamb at or above their objective levels, according to Dunn.

Other companies trying to build a brand franchise with case-ready products, though distribution is very small at this point, include John Morrell Co. (Northfield, Ill.) and Farmstead.

The industry is experiencing good results with retail merchandising promotions tied to seasonal themes. One, currently in place, is designed to promote lamb as a product for summer barbecues and at the same time, convince retailers that the profitability of lamb goes up dramatically when more and varied cuts of lamb are promoted to consumers.

One chain that took the promotion to heart, King Soopers in Denver, has already seen a seven-fold increase in lamb sales, says Dunn.

After the drought

Aside from concerns over consumption trends, consumer acceptance of branded products, and the relentless competition from poultry products, the current drought figures prominently in producers' and retailers' thoughts about meat trends.

Producers like Caldwell at Coleman Natural Beef are concerned that with higher feed prices, there will be some initial hurrying of beef to the market. This may drive prices—and profits—down in the short term, but aggravate already existing shortages of beef, which will push prices up over the long run.

For once this is an industry that wouldn't mind seeing some storm clouds on the horizon. ■

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